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Economic Development

Business Establishments
Labor Force
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Minneapolis business establishment and employment data for 1997 are published by the Minnesota Department of Economic Security.

Minneapolis and Hennepin County sales statistics for 1996 are published by the Minnesota Department of Revenue.

Estimates of Minneapolis resident employment and unemployment for 1997, as well as selected characteristics of the insured unemployed for 1996, are provided by the Minnesota Department of Economic Security.

Minneapolis labor force information by occupation is taken from the 1980 and 1990 US Bureau of the Census' decennial census of population.

Employment and training information, including the list of service providers, originate from the Minneapolis Employment and Training Program.

Annual construction information as represented by building permit values are tabulated by the Minneapolis Inspections Department.

Sources of development activity information include the Towle Report, 1998 Office Market Update (Second Quarter 1998), the Minneapolis Community Development Agency, the Municipal Information Library and the Minneapolis Planning Department.

This chapter can also be found on the city's web site at: *www.ci.minneapolis.mn.us/planning*

In 1997, the services sector maintained its leading position as largest employer and as having the largest number of establishments. The finance, insurance, real estate (F.I.R.E.) sector continued to provide the highest average weekly wage.

Fourth quarter data for 1997 indicate a total of 13,238 business units identified within the City of Minneapolis. The largest share of the total, 45 percent, were service industry establishments. The service sector is comprised of a range of personal, business, legal, recreational and other miscellaneous service establishments. Retail trade establishments, 17 percent of the total, were a distant second. The number of plant locations or work sites in the fourth quarter of 1997 was up from 12,729 in 1996 (annual average) and persons employed by those establishments in the fourth quarter of 1997 was 300,150 (fourth quarter) as compared to 290,438 in 1996 (annual average). The average employment per unit remained constant from 1996 at 23 workers.

The durable goods manufacturing sector had the highest level of employment per business establishment with 43.1 workers per site followed closely by non-durable goods manufacturing and transportation, public utilities with 37, and 38 workers per unit respectively. (This excludes the government sector, which tends to be concentrated in relatively few facilities). Average employment per establishment is one important factor when considering the question of attracting or retaining firms in the City of Minneapolis.

Also of importance is the average weekly wage. In 1997, the average weekly wage increased 15 percent, from $688.04 to $793.72, buoyed partly by very low unemployment rates and tight labor markets throughout the region. The average weekly wage for the finance, insurance, and real estate sector (F.I.R.E.) for 1997 was almost $460 (or 57 percent above the all-industry average). The gap between average weekly wages in the F.I.R.E. sector remains consistently high relative to other sectors over the years.

MINNEAPOLIS SALES STATISTICS BY INDUSTRY, ANNUAL 1996

Industry	Gross Sale in Millions	Number of Firms
Agriculture, Forestry and Fishing	$45.8	224
Construction	$363.5	270
Manufacturing	$4,522.0	1,065
Transportation, Public Utilities	$3,407.6	187
Wholesale	$4,781.8	810
Retail	$4,350.9	4,999
Fire, Insurance, Real Estate	$289.4	271
Services	$3,211.1	4,922
Public Administration	$42.0	23
Undesignated	$39.8	185
City Total	**$21,054.1**	**12,956**

Source: Minnesota Department of Revenue

MINNEAPOLIS EMPLOYMENT AND BUSINESS ESTABLISHMENTS BY INDUSTRIAL CATEGORY, FOURTH QUARTER, 1997

Industry	Employment	Percent Share Employment	Business Units*	Pct. Share Business Units	Average Employment per Unit	Average Weekly Wage
Agriculture, Forestry, and Fishing	n/a	n/a	n/a	n/a	n/a	n/a
Mining	n/a	n/a	n/a	n/a	n/a	n/a
Construction	5,560	2%	500	4%	11	$770.27
Manufacturing-Durable	15,226	5%	382	3%	40	$908.20
Manufacturing-Non-Durable	16,321	5%	437	3%	37	$1,064.22
Transportation, Public Utilities	14,570	5%	380	3%	38	$786.65
Wholesale Trade	13,883	5%	1,106	8%	13	$878.66
Retail Trade	42,432	14%	2,245	17%	19	$413.41
Finance, Insurance, Real Estate	33,068	11%	1,630	12%	20	$1,252.80
Services	109,315	36%	6,021	45%	18	$740.94
Government	49,303	16%	445	3%	111	$771.95
Total	**300,150**	**100%**	**13,238**	**100%**	**23**	**$793.72**

*Number of plant locations or work sites.
Source: MN Department of Economic Security (Web site), Covered Employment and Wages

Note: Data in the above table relate to firms covered under the Minnesota unemployment compensation tax law. Although the Department of Economic Security estimates that over 95 percent of the state's nonagricultural wage and salary employment is covered, nine employment categories not included are listed in the tables' source. Prominent among these are the self-employed, railroad workers, insurance and real estate agents on commission only, and elected officials.

Gross sales, as calculated by the Minnesota Department of Revenue in the City of Minneapolis in 1996 declined from $23.45 billion to $21.05 billion. Likewise, Minneapolis' share of gross sales in Hennepin County also declined from 54.6 percent in 1995 to 44.6 percent in 1996.

MINNEAPOLIS AND HENNEPIN COUNTY SALES STATISTICS
ANNUAL 1995 AND 1996

	Gross Sales in Millions	Number of Firms
Minneapolis, 1995	$23,453.0	13,314
Hennepin County, 1995	$42,959.2	29,514
Minneapolis as a percentage of Hennepin County, 1995	54.6%	45.1%
Minneapolis, 1996	$21,054.1	12,956
Hennepin County, 1996	$47,157.8	31,183
Minneapolis as a percentage of Hennepin County, 1996	44.6%	41.5%

Source: Minnesota Department of Revenue

Labor Force

The annual average Minneapolis labor force increased slightly in 1997, up by 700 to 206,825. Similarly, the number of Minneapolis residents employed increased by 2,200 workers.

The Minneapolis labor force consists of city residents who are working or actively seeking employment. In 1997, the slight increase in the size of the labor force was exceeded by an increase in the number of employed residents, causing a drop in the unemployment rate from 4 percent in 1996 to 3.2 percent (annual averages). The unemployment rate is at its lowest point in over ten years.

Data in the following table display an employment/unemployment breakdown of annual average labor force estimates for the 1987 to 1997 period. Since 1987, Minneapolis' labor force has ranged from a low of 199,100 in 1993 to a high of 210,800 in 1987. The numbers show cyclical fluctuations that generally reflect the impact of national and regional economic cycles. In some instances, shifts in the methodology used to calculate labor force figures also contribute to the variability in labor force and unemployment data.

CITY OF MINNEAPOLIS MINNESOTA LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Annual Average 1987 through 1997
(Rounded Data)

	Labor	Employed		Unemployed	
Year	Force	Number	Percent	Number	Percent
1987	210,800	200,800	95.3%	10,000	4.7%
1988	203,800	196,000	96.2%	7,800	3.8%
1989	204,000	195,700	95.9%	8,300	4.1%
1990*	206,200	197,000	95.5%	9,200	4.5%
1991*	203,800	194,000	95.2%	9,800	4.8%
1992*	199,600	189,600	95.0%	10,000	5.0%
1993*	199,100	189,100	95.0%	10,000	5.0%
1994*	204,300	196,600	96.2%	7,700	3.8%
1995*	206,400	199,500	96.6%	7,000	3.4%
1996*	206,100	198,000	96.0%	8,200	4.0%
1997	206,825	200,282	96.8%	6,543	3.2%

* 1995 Benchmark
Source: Minnesota Department of Economic Security

The data suggest relatively stable total labor force figures during the period. Employment rates suggest a relatively healthy occupational and industrial diversity. This diversity appears to have helped the city's labor force avoid some of the more drastic employment fluctuations that accompanied the general national recessionary periods of the early 1980s and 1990s.

While the general labor force numbers paint a healthy picture for Minneapolis, the figures also mask the differences between people of color and white residents. Although the figures displayed in the table below are from the Bureau of the Census for the years 1980 and 1990 and are not directly comparable to Minnesota Department of Economic Security data, they do provide useful information on the distribution of the city's labor force by race. In 1990, the labor force participation rate for whites was 70.6 percent, for people of color it was only 61.2 percent . Similarly, while the employment rate for whites stood at 94.9 percent at the time of the 1990 census, the employment rate for people of color was only 84.4 percent.

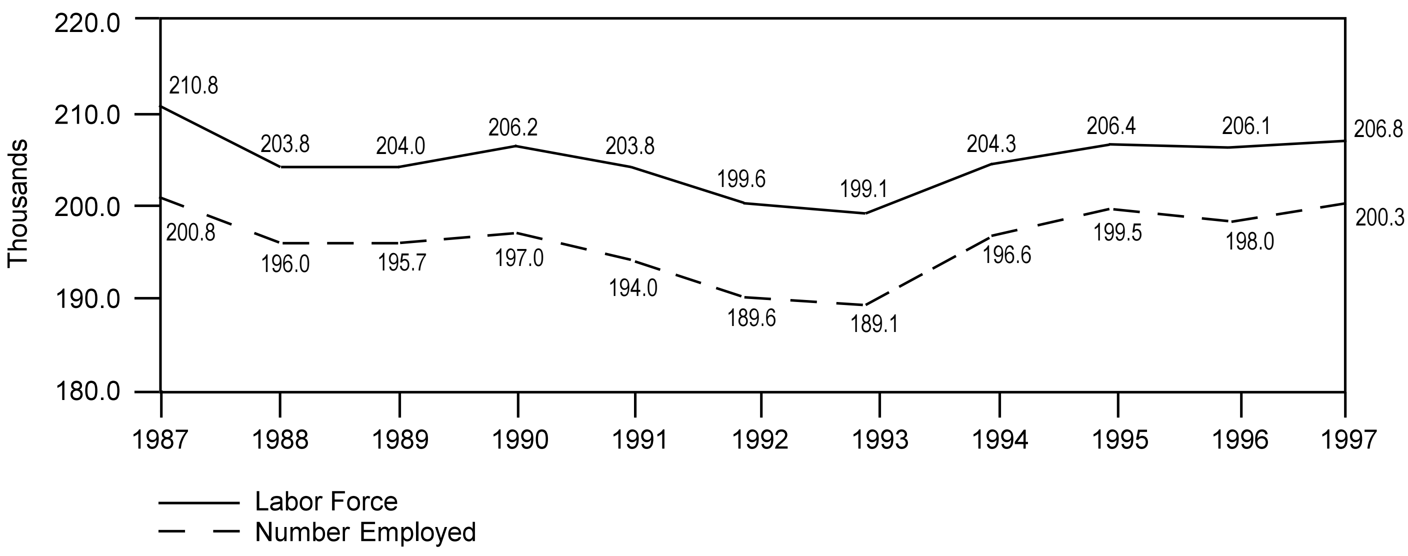
For more information regarding the labor force characteristics of city residents refer to the publication *Changes in the Minneapolis Labor Force and the Growing Living Wage Employment Gap* from the Minneapolis Planning Department, October 1993.

LABOR FORCE PARTICIPATION RATE AND EMPLOYMENT RATE 1980 - 1990
PERSONS AGE 16 AND OVER

Labor Force Participation Rate	Total	White	Minority	African American	Native American	Asian American	Hispanic
1990	69.0%	70.6%	61.2%	64.1%	53.8%	55.0%	76.9%
1980	65.5%	66.0%	60.3%	62.5%	53.9%	54.9%	65.2%
Change from 1980 to 1990	3.5%	4.6%	.9%	1.6%	-.1%	.1%	11.7%
Employment Rate							
1990	93.3%	94.9%	84.4%	83.1%	77.8%	92.3%	90.1%
1980	95.2%	95.8%	88.4%	90.2%	77.1%	93.7%	88.2%
Change from 1980 to 1990	-1.9%	-.9%	-4.0%	-7.1%	.7%	-1.4%	1.9%

Source: US Bureau of the Census, Summary Tape File 3, 1990, 1980.

MINNEAPOLIS LABOR FORCE, ANNUAL AVERAGE
1987 THROUGH 1997

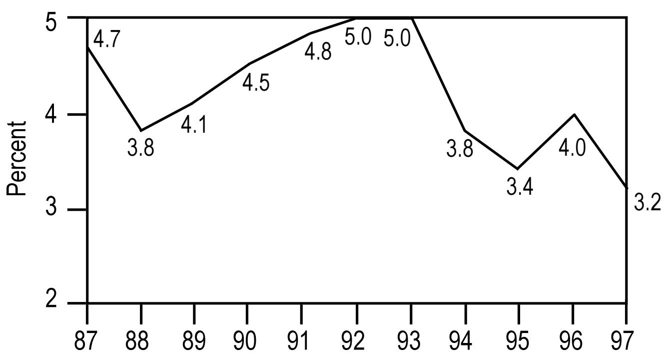


Unemployment

Minneapolis' annual average labor force unemployment rate in 1997 was 3.2 percent.

Unemployment rates reflect the cyclical nature of economic conditions. The following table indicates the annual average Minneapolis labor force unemployment rate for each year from 1987-1997. In the 1980s, unemployment rates peaked in 1983 at 6.9 percent, then declined steadily until the rate hit the level of 3.8 percent in 1988. The unemployment rate then cycled upwards to reach a high of 5.0 percent. The unemployment rate then declined reaching a low last year of 3.2 percent. The annualized average is not yet available for 1998.

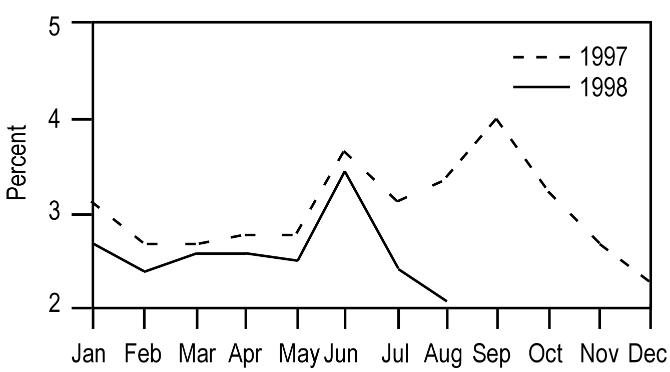
ANNUAL AVERAGE UNEMPLOYMENT RATES
MINNEAPOLIS LABOR FORCE



Source: MN Dept. of Economic Security web site.
The 1983 average (not shown) was 6.9 percent.

Unemployment rates vary throughout the year. The unemployment rates for each month in 1998 are lower than the comparable month of the previous year. If the trend continues, the annual average unemployment rate will be even lower for 1998 than it was in 1997. The following chart shows unemployment rates for each month in 1997, as well as for January through August of 1998.

MINNEAPOLIS LABOR FORCE
MONTHLY UNEMPLOYMENT RATES,
JANUARY 1997 THROUGH AUGUST 1998



Source: MN Dept. of Economic Security web Site.

Selected characteristics of 11,585 unemployed persons who filed for unemployment compensation in a Minneapolis office for the program year ending June 30, 1996 are contained in the following table. At time of writing the latest data on selected characteristics of insured unemployed in the City of Minneapolis compiled by the Minnesota Department of Economic Security date to 1996. The data suggest that the highest percentages of applicants were male, non-minority, between the ages of 22 and 39, and having more than a high school education. Over one-third of applicants listed their primary occupation within the professional/technical/managerial category.

SELECTED CHARACTERISTICS OF INSURED UNEMPLOYED
CITY OF MINNEAPOLIS
PROGRAM YEAR ENDING JUNE 30, 1996

Female	38%
Minorities	36%
Age 22-39	59%
Age 40-54	32%
Age 55-64	6%
12 Years School	37%
Over 12 Years School	55%
Unemployed 15+ Weeks	42%
Professional/Technical/Managerial	36%

Source: Derived from table provided by the Minnesota Dept. of Economic Security, "Characteristics of Insured Unemployed by Occupational Category, Program Year Ending June 30, 1996, Table C-1."

Minneapolis Employment and Training
Minneapolis Employment and Training program helped over 2200 disadvantaged people to find jobs during the year ending June 30, 1998. To help eligible participants become self sufficient, services such as skills assessment, counseling, classroom and on-the-job training, job search training and resume writing, job placement and support services were provided to 12,793 people. Over 9,300 of these were welfare recipients participating in the new Minnesota Family Investment Program, jointly administered by the city and Hennepin County.

- 1,064 youths participated in the Summer Youth Employment and Training program,
- 658 participants had been permanently laid off from other jobs,
- 1,210 participants had limited English,
- 325 were persons with disabilities.

The Department of Economic Security estimates that around 22,720 city residents were eligible for these services, which are funded through federal, state and local jobs programs. These programs will play a key part in helping welfare recipients to enter the work force. Eligibility is determined by the requirements of the funding source. For more information call 673-5700. Most services are provided under contract with the city by the following Community Based Organizations.

EMPLOYMENT AND TRAINING SERVICE PROVIDERS FOR MINNEAPOLIS RESIDENTS

Provider	Address
American Indian OIC	1845 East Franklin Avenue
Anishinabe Council of Job Developers	3702 East Lake Street #105
Catholic Charities Seton Outreach Services for Women & Families	2104 Stevens Ave. South
Catholic Charities	404 South 8th Street
Catholic Charities and Families	1200 – 2nd Avenue South
Centre for Asians & Pacific Islanders	3702 East Lake Street, Suite 200
East Side Neighborhood Services	1929 2nd Street NE
East Side Neighborhood Services	66 Malcolm Avenue S.E.
Employment Action Center	2104 Park Avenue
Employment Action Center	710 West Broadway
Employment Action Center - Mature Worker Program, 2nd Floor	1527 East Lake Street
Employment Action Center - Suburban Pathways - MFIP	6715 Minnetonka Blvd
Employment Action Center - Hopkins Family Resource Center	915 Main Street, Hopkins, MN
Employment Action Center - Western Suburban	6715 Minnetonka Blvd., Suite 212
Employment Action Center - WINGS - North	3200 Penn Avenue North
Episcopal Community Services Inc.	1730 Clifton Place, Suite 104
Hennepin County W.E.R.C.	330 - 12th Street South - Suite 370
HIRED-North	1200 Plymouth Avenue North
HIRED-Sabathani	310 East 38th Street #101
HIRED at Edison High School	700 - 22nd Avenue N.E.
HIRED The Education Place (TEP)	1006 West Lake Street, Room 433
HIRED Hennepin North Workforce Center	7115 Northland Terrace, Suite 100
Hmong American Mutual Assistance Assn.	1209 Glenwood Avenue North
Hmong American Partnership	1121 Glenwood Avenue North
Jewish Vocational Service	1500 South Highway 100, Suite 311
Jewish Vocational Service	430 - 1st Avenue North, Suite 620
Loring Nicollet Bethlehem Community Center	2539 Pleasant Avenue South #C
Loring Nicollet Bethlehem Community Center	1925 Nicollet Avenue South
Lutheran Social Services	2414 Park Avenue South
Minneapolis Public Housing Authority Welfare-To-Work Program	1001 Washington Avenue North
Minneapolis Urban League - North	2000 Plymouth Avenue
Minneapolis Urban League - South	777 East Lake Street, Suite 203
Minneapolis Work Force Center - North	1200 Plymouth Avenue North
Minneapolis Work Force Center -South	777 East Lake Street
Hennepin North MN Workforce Center	7115 Northland Terrace, Suite 100
Hennepin South - MN Workforce Center.	4220 West Old Shakopee Road
New Chance	2104 Park Avenue South
New Chance	710 West Broadway Avenue
Phillips Community Development Corp.	1014 East Franklin Avenue
Pillsbury Neighborhood Services, Brian Coyle Community Center	420 15th Avenue South
Pillsbury Neighb. Serv., New Unity Employment & Training Center	2507 Fremont Avenue North
Pillsbury Neighborhood Services Waite House	2529 – 13th Avenue South
Project for Pride in Living Connections-to-Work	810 East Franklin Avenue
Resident Management Corporation	1707 – 3rd Avenue South, Suite 610
Summit Academy OIC	935 Olson Memorial Hwy.
Twin Cities RISE!	112 North 3rd Street, Suite 500
WINGS- South	1527 East Lake Street

Work Force

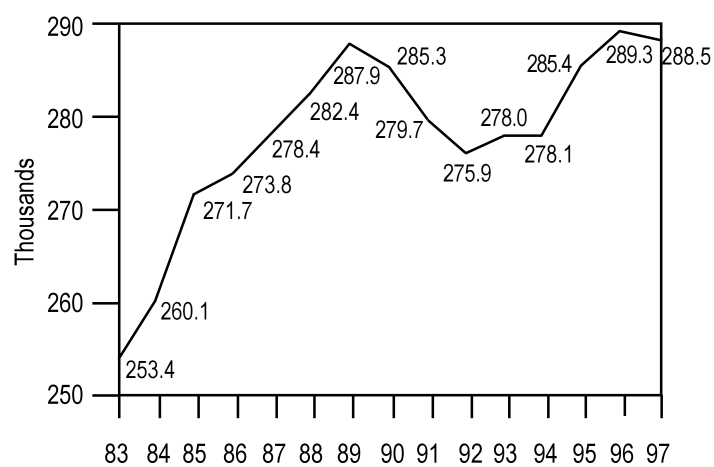
The number of jobs held in Minneapolis totaled 288,524 in March 1997.

The Minneapolis job count is the number of jobs held within the city by both residents and non-residents of the city, as estimated by the Minnesota Department of Economic Security. The data in the accompanying chart are estimates of March employment for each year since 1983. March has been used because it is a month whose data is not inflated by holiday or summer labor force participants. As such, March work force levels may be closer to the annual average than those of other months.

The employment levels shown in the chart below cover a 15-year period during which consistent data collection methods appear to have yielded comparable information.

The low point of the city's work force level was 1983, with 253,400 workers which reflects the national recession of the early 1980s. Minneapolis' employment climbed steadily from 1984 through 1989. In March 1989, employment peaked at around 288,000. Employment declined from 1989 through 1992 reaching a low of 275,900. From 1993 through 1997 employment increased to 289,300 before declining marginally to 288,500 in 1997.

WORK FORCE, 1983 THROUGH 1997



Note: the data used above are March 1997 totals, while the data used in the following Work Force Distribution section is a Fourth Quarter 1997 average. Differences between the two reflect cyclical variations.

Work Force Distribution

The fourth quarter average work force for 1997 was 300,150 which continues the five-year trend of increasing employment in the City of Minneapolis. Employment increases have been seen primarily in the service sector and to a lesser extent in the trade industries.

Over one-third of the jobs in Minneapolis are in the service sector for a total of 109,315 service jobs. The next largest shares are in trade and government sectors with 56,315 and 49,303 jobs respectively.

Fourth quarter 1997 employment figures indicate an increase in employment over the 1996 annual average of almost 10,000 (although fourth quarter figures may differ from annual averages by not taking into account cyclical fluctuations). The growth industries over the past year have been in the service, trade and finance/insurance/real estate industries. All other industries have shown a decline over the past year, with manufacturing showing the sharpest drop.

MINNEAPOLIS WORK FORCE EMPLOYMENT[1]
DISTRIBUTION BY INDUSTRY 1980, 1990, 1996, 1997
(ANNUAL AVERAGE DATA)

	Employment				Increase (Decrease) 1980-1997		Increase (Decrease) 1980-1997	
	1980	**1990**	**1996**	**1997**	**No.**	**Pct.**	**No.**	**Pct.**
Construction	7,600	5,826	5,235	5,560	(2,040)	(27)	(266)	(5)
F.I.R.E.[2]	27,200	33,516	32,222	33,068	5,868	22	(448)	(1)
Government	41,200	46,094	50,540	49,303	8,103	20	3,209	7
Mfg.	49,600	39,290	35,493	31,547	(18,053)	(36)	(7,743)	(20)
Services	70,000	90,347	99,247	109,315	39,315	56	18,968	21
T.C.U.[3]	15,300	15,004	14,090	14,570	(730)	(5)	(434)	(3)
Trade[4]	61,800	55,569	54,273	56,315	(5,485)	(9)	746	1

[1] Excluding Agriculture and Mining.
[2] Finance/Insurance/Real Estate.
[3] Transportation/Communications/Utilities.
[4] Retail and Wholesale Trade.

Source: Minnesota Department of Economic Security, including web site.

Construction

Construction permits issued up to the end of the third quarter 1998 show a continued pattern of reinvestment in existing buildings through high dollar values for additions and repairs. Data tracking the dollar value of new construction demonstrates investor confidence in all sectors, from offices to warehouses, to schools, and other public facilities.

Construction permit values can serve as a leading economic indicator. New construction and renovation are a concrete sign of investor confidence in the economic climate of a city. From home renovations and additions, to small business expansion, to the development of multi-million dollar buildings by private and public funds, investments such as these in buildings of all types demonstrate the vitality of the construction market.

The landscape of downtown Minneapolis was changed in 1998 by the presence of cranes throughout downtown, as three major office tower developments, two new schools (West Metro Education Project/St. Thomas), a new private parking ramp and the addition of a hotel on top of an existing parking ramp were all under construction, along with numerous other smaller projects (see the section on Development Activity for more details on these projects). Construction activity outside of downtown featured continued light industrial construction at the Seward Industrial Park, the Southeast Minneapolis Industrial Area (SEMI), and the North Washington Industrial (Jobs) Park.

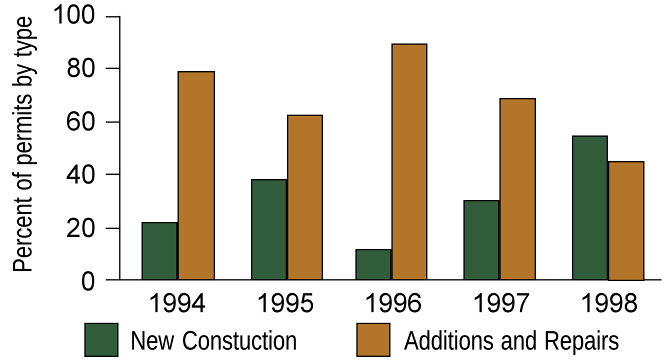
	Total Value of all Permits (dollars)	Percentage Value: Additions and Repairs	Percentage Value: New Construction	Annual Change (Percent)
1994	$276,431,204	79.6%	21.4%	28.8%
1995	$322,424,505	62.1%	37.9%	16.6%
1996	$296,128,370	88.7%	11.2%	8.1%
1997	$483,825,940	68.1%	31.9%	50.1%
1998[1]	$288,913,570	41.1%	54.9%	n/a

[1] January through September

The first nine months of 1998 saw continued reinvestment in existing buildings with large numbers of permits issued for new constructions and additions and repairs. The total value for permits issued from January to September 1998 was approximately $288 million. Nineteen projects with an estimated value over $2 million account for approximately $215 million of construction permits issued as of September, 1998.

Increased activity in renovations and additions has been complimented by new construction both in downtown Minneapolis and in the surrounding neighborhoods. A list of major projects (with permit values of $2 million or more) under construction in 1998 follows below.

BUILDING PERMIT TYPES, 1994 - 1998



MAJOR PROJECTS 1998
CONSTRUCTION PERMITS ISSUED, $2 MILLION OR MORE

Address	Type of Construction	Estimated Value[1]
807 Broadway St.	commercial	$2,750,000
2100 E 26th St.	industrial	$2,200,000
2000-90 Elm St.	industrial	$3,500,000
517 Marquette Ave	parking	$9,500,000
428 1st St. N	residential	$6,191,000
660 2nd St. N	residential	$3,334,417
1605 Aldrich Ave N	school	$4,346,000
501 Irving Ave N	school	$6,000,000
1800 2nd St. NE	school	$2,136,000
800 Nicollet Mall	office	$9,802,400
117 Portland Ave	residential	$7,150,000
10-30 10th St. S	school	$19,066,000
121 12th Ave S	commercial	$2,800,000
83 12th St. S	church	$2,395,000
707 2nd Ave S	office	$104,768,000
2501 University Av SE	residential/commercial	$16,923,000
1 W 49th St.	school	$7,200,000
2501 W 56th St.	school	$2,800,000
5821 Wentworth	commercial	$2,370,000

[1] permits pulled in first three quarters of 1998

Development Activity

Development activity continued apace in 1998, with construction or planning underway on office, residential, commercial, industrial and arts facility projects throughout the city both for new projects and redevelopments.

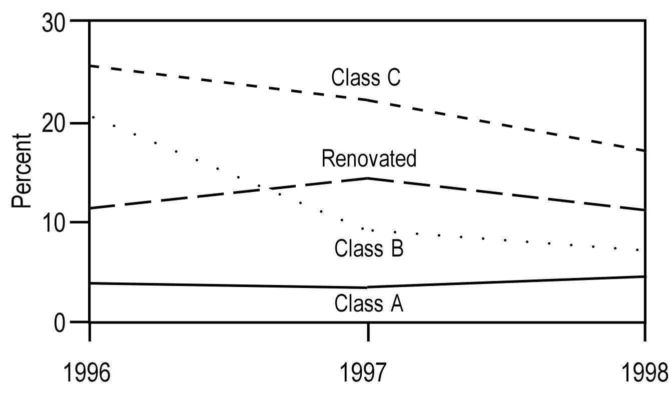
Downtown Minneapolis

Downtown continues to be a magnet for growth in the region and is enjoying a building boom. It is the largest office space market in the metropolitan area accounting for approximately 40% of the private market office space in the region and is a center for arts, entertainment, retail and government activity. With over 140,000 people working downtown and approximately 25,000 people living in the area, the downtown office and general employment market exerts considerable influence over the rest of the region. With one major tower reaching completion, two others under construction and as many as five others on the drawing board, Minneapolis boasts one of the most active downtown office markets in the country. Real estate analysts indicate that the current boom is being driven by increasing space requirements of established downtown employers and less by the speculative environment that characterized the building boom of the 1980s. As new buildings come on line and anchor tenants vacate their present sites, there will be considerable space to fill in existing towers.

Office Space

Economic forecasts continue to cite the area's attractive living environment, stable urban community and higher than average per capita income as strong indicators of the area's future growth. Employment growth continues to concentrate in the service sector (especially in the service sector, which added close to 10,000 jobs to the local employment base last year). The overall vacancy rate for downtown office space declined for the year ending second quarter of 1998 from 8.3% to 7.1%, with active leasing in Class B, C and renovated, making up for a slight increase in vacancy in Class A properties, which rose from 3.7% to 4.3%. Large blocks of leasable space in Class A buildings are not available, and this is one of the factors spurring the development of major new office properties.

VACANCY RATE, OFFICE SPACE 1996 - 1998



Office Space Classifications

Class A Newer buildings in first class condition, decor and design. Large and/or tall in size with mostly multiple skyway linkage.

Class B Seasoned buildings in good condition and generally over ten years old. Mid-rise in size and may include skyway linkage.

Class C Older buildings of any size in average to poor condition. They may or may not have skyway linkage.

Renovated Buildings which have had a complete renovation, including all mechanical systems and exterior treatment. Many of these building have been readapted to office usage from multi-story industrial designs.

Source: Towle Real Estate Company, 1998 Towle Report

TRENDS IN VACANCY RATES BY TYPE OF SPACE AND LOCATION (SECOND QUARTER FIGURES)

	Study Date	Total Rental Area	Total Amount Vacant	Vacancy Rate
Minneapolis CBD				
Class A	1996	12,676,319	490,710	3.9%
	1997	10,483,773	390,629	3.7%
	1998	**10,483,773**	**452,452**	**4.3%**
Class B	1996	4,570,898	933,440	20.4%
	1997	6,728,492	618,565	9.2%
	1998	**6,929,549**	**483,744**	**7.0%**
Class C	1996	938,227	237,084	25.3%
	1997	2,376,563	455,759	21.9%
	1998	**2,019,786**	**349,572**	**17.3%**
Renovated	1996	3,005,092	340,504	11.3%
	1997	2,456,424	300,315	14.3%
	1998	**2,457,144**	**270,806**	**11%**
Minneapolis Out of CBD	1996	1,332,463	216,599	16.3%
	1997	1,370,991	139,394	10.2%
	1998	**1,370,991**	**124,783**	**9.1%**

Source: Towle Real Estate Company, 1998 Office Market Update (Second Quarter)

Note: changes to the classification of buildings in 1996 have made the comparability of figures between 1996 and subsequent years difficult.

NET RENTAL RATES: SECOND QUARTER 1998

	Average Net Rent	Net Rent Range Low-High	Average Prop.Tax
Minneapolis CBD			
Class A	$18.54	$16.00-$22.00	$7.64
Class B	$12.65	$9.00-$20.00	$3.62
Class C	$9.48	$6.50-$13.00	$1.51
Renovated	$9.76	$4.00-$14.00	$1.96
Minneapolis Out of CBD	$10.45	$7.00-$15.50	$2.66

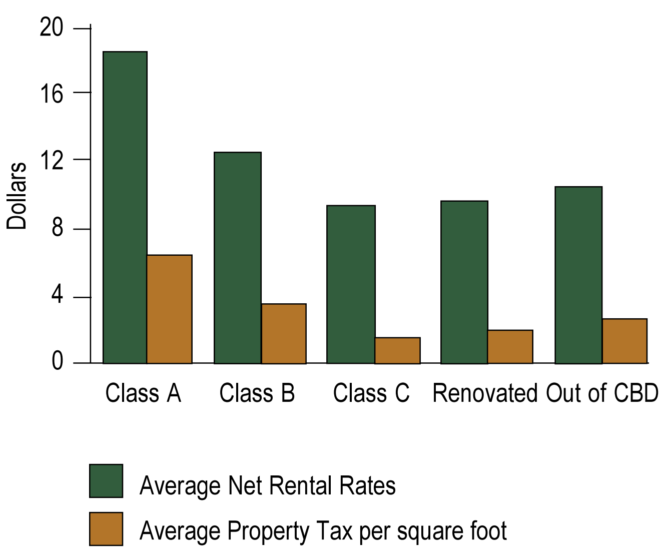
Source: Towle Real Estate Company, 1998 Office Market Update (Second Quarter)

NET RENTAL RATES: SECOND QUARTER 1997

	Average Net Rent	Net Rent Range Low-High	Average Prop.Tax
Minneapolis CBD			
Class A	$16.77	$14.00-$25.00	$7.30
Class B	$10.31	$6.00-$14.00	$3.27
Class C	$7.87	$5.00-$12.00	$1.74
Renovated	$8.58	$4.00-$12.00	$1.98
Minneapolis Out of CBD	$10.18	$7.00-$16.00	$2.65

Source: Towle Real Estate Company, 1997 Office Market Update (Second Quarter)

AVERAGE NET RENTAL RATES AND AVERAGE PROPERTY TAX PER SQUARE FOOT SECOND QUARTER, 1998



PROPOSED AND UNDER CONSTRUCTION OFFICE DEVELOPMENT IN DOWNTOWN MINNEAPOLIS 1998

- American Express Financial Advisors
  (707 2nd Ave. & the 900 block between 3rd & 4th Ave.)
  31 story, 870,000 square foot office tower under construction. Proposed 15 story, 900,000 square foot service center.

- 444 Marquette
  Proposed 20 story, 600,000 square foot office building.

- Target Stores Inc. Headquarters
  (1000 Nicollet block)
  14 story, 600,000 square foot office building nearing completion. Proposed 1,100,000 square foot second phase.

- 250 Marquette Avenue
  (old Federal Reserve Bank building)
  Proposed redevelopment and expansion of existing structure.

- Piper Jaffray
  (old Conservatory Site, 800 block Nicollet Mall)
  34 story, 800 square foot office building under construction.

- 50 South 6th Street
  Proposed 30 story, 600,000 office building.

Source: Minneapolis Planning Department

In addition to the boom in office development downtown, large numbers of other projects are underway in the neighborhoods and downtown. Four new schools will be built on the north side over the next few years to accommodate an increase in the number of students. Along Humboldt Avenue North there is an ambitious project that will include significant housing redevelopment along a new Greenway. Redevelopment of the Great Lake Commercial Center on Lake Street (formerly known as the Sears site) has begun. Planning is underway for a new community center in the Webber-Camden Neighborhood, with funding to be provided by Neighborhood NRP plans and the Library Board. Several large residential projects are either underway or in planning in the east bank area surrounding the University of Minnesota. Other residential developments abound, in the warehouse district and along the waterfront and throughout the city. Industrial redevelopment activities are ongoing in the North Washington Industrial Park. Clearing of the block south of 4th Avenue between 4th and 5th Street adjacent to City Hall began this fall in preparation for construction of a new public safety facility to augment the current Adult Detention Center housed on the fifth floor of City Hall. Planning is proceeding for the YWCA sports facility to be located at 21st Avenue

South and Lake Street with development costs supplemented by over a million dollars from the NRP programs of surrounding neighborhoods including Corcoran, Seward, Longfellow and Phillips. Substantial investments are underway at 4th Avenue and Lake Street for commercial and residential projects that include over $250,000 of funds from NRP programs. Rehabilitation of the Jungle Theater on Lyndale Avenue South is underway, the funding of which includes money from the Whittier Neighborhood's NRP Action Plan.

MAJOR PROJECTS APPROVED OR UNDER CONSIDERATION BY THE HERITAGE PRESERVATION COMMISSION IN 1998

- Renaissance on the River:
  new construction by Rottlund Homes
  St. Anthony Falls Historic District
  301-330 River Street
  90 townhomes

- Stone Arch Lofts:
  new construction by Brighton Development
  St. Anthony Falls Historic District
  Second Street South
  33 condominiums

- Heritage Landing Phase II:
  new construction by Heritage Renovation LLT
  St. Anthony Falls Historic District
  401 North First Street
  232 apartments

- Riverstation-Phase II:
  new construction by Heritage Renovation LLT
  St. Anthony Falls Historic District
  599 North First Street
  88 housing units

- Utility Building:
  rehabilitation by Brighton Development
  St. Anthony Falls Historic District
  701 North First Street
  26 housing units

- Creamette Building:
  rehabilitation and new construction
  by Brighton Development
  St. Anthony Falls Historic District
  428 North First Street
  rehabilitation-28 apartments,
  new construction-72 apartments